

REVIEW OF THE INTERNATIONAL ORGANIZATION FOR MIGRATION

97-CI-010

APRIL 1997

AUDIT REPORT 97-CI-010
REVIEW OF THE INTERNATIONAL ORGANIZATION FOR MIGRATION
APRIL 1997

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
LIST OF ABBREVIATIONS	ii
I. EXECUTIVE SUMMARY	1
II. PURPOSE AND SCOPE	5
III. BACKGROUND.....	6
IV. FINDINGS.....	8
A. LAX OVERSIGHT AND MONITORING	8
Bureau of Population, Refugees, and Migration Responsibilities.....	8
Oversight and Monitoring Too Fragmented.....	9
Oversight of Voluntary Contributions Nonexistent	9
Oversight and Monitoring Capabilities Unused.....	10
Excessive Carryover Funds	11
Insufficient Interest Rate Paid in U.S.Funds.....	12
B. UNHEALTHY FINANCIAL SITUATION	14
Past Annual Deficits.....	14
Structural Underfunding.....	17
Budget Process Unrealistic and Confusing.....	18
C. COST ACCOUNTING PROBLEMS.....	23
Projectization Background.....	23
Ambiguous Implementation Guidelines	24
Projectization Guidelines Implemented Inconsistently.....	24
Inaccurate Projectization Reporting	25
D. REVISION OF ROLE AND PRIORITIES NECESSARY.....	26
Poor Project Development at Headquarters.....	27
Poor Headquarters-Field Communication.....	28
International Organization for Migration's Future Role Unclear	29

V. CONSOLIDATED LIST OF RECOMMENDATIONS.....	31
--	----

APPENDIX

A. Bureau of Population, Refugees, and Migration Comments on the Draft Report	33
---	----

LIST OF ABBREVIATIONS

FAM	Foreign Affairs Manual
FY	Fiscal Year
ICEM	Intergovernmental Committee for European Migration
IOM	International Organization for Migration
PRM	Bureau of Population, Refugees, and Migration
SCBF	Subcommittee on Budget and Finance

AUDIT REPORT 97-CI-010
REVIEW OF THE INTERNATIONAL ORGANIZATION FOR MIGRATION
APRIL 1997

I. EXECUTIVE SUMMARY

Purpose

The International Organization for Migration (IOM) is one of many international organizations supported by the Bureau of Population, Refugees, and Migration (PRM). The United States is the largest single donor country to IOM, contributing almost \$46 million towards its activities in 1996. PRM is required to review and evaluate IOM activities to ensure the appropriate and effective use of U.S. funding. Contributions include an annual assessment required for membership in IOM and additional contributions to pay for U.S. projects and for unearmarked voluntary funds. Our review was conducted to evaluate whether PRM was providing adequate monitoring and oversight of the U.S. Government's annual contributions to the organization.

Background

IOM seeks to ensure the orderly migration of persons who are in need of international migration assistance. IOM is composed of 59 member states and 42 states with observer status. It provides services to migrants and refugees worldwide at the request of interested nations. For PRM, IOM provides a variety of refugee assistance services including transportation assistance, English as a second language and cultural orientation training, loan collection management, and contract staff for special projects.

PRM has responsibility for evaluating the refugee policies and programs it supports. The bureau allocates U.S. contributions to international organizations for refugee assistance and is required to review their activities to ensure appropriate and effective use of U.S. funds.

I. EXECUTIVE SUMMARY

Results in Brief

At the request of the United States, IOM has provided important services to refugees and migrants worldwide. However, our review disclosed weaknesses in PRM's oversight of IOM and in the organization itself. Specifically, we found (1) insufficient oversight and monitoring of IOM; (2) financial problems seriously threatening IOM's functioning as an international organization; (3) implementation problems with IOM's cost accounting system; and (4) a need to revise IOM's role and priorities.

Principal Findings

Insufficient Oversight & Monitoring

PRM's oversight and monitoring of IOM is insufficient. Over the course of our audit work, we found that oversight responsibilities within PRM were too fragmented, oversight of unearmarked voluntary contributions was virtually nonexistent, and overseas posts' oversight and monitoring capabilities were not used.

In the absence of adequate oversight and monitoring, U.S. funds were used for IOM projects not supported by the bureau, excessive U.S. funds were carried over by IOM from one fiscal year to the next, and inadequate interest was paid to the United States on those amounts.

Financial Situation is Unhealthy

IOM is experiencing financial problems seriously threatening its current and future functioning as an international organization. At the May 1996 Executive Committee meeting, IOM's Director General cautioned that IOM's budget deficits and member arrears require that the Director General take "swift and effective steps to avoid the financial collapse of the organization." IOM's financial problems include a recurring annual administrative budget deficit, an operational budget deficit commonly referred to as structural underfunding, and an unrealistic and confusing budget process.

I. EXECUTIVE SUMMARY

Cost Accounting

In December 1993, IOM developed guidelines for a cost accounting system called projectization. This cost accounting system was a positive development and strongly supported by PRM. However, problems with projectization have included inadequate implementation guidelines, inconsistent implementation, and inaccurate financial reports.

Role & Priorities should be Revised

PRM and other IOM members continually state the need for an international organization to handle migration issues, but do not state clearly and specifically what migration services an international organization like IOM can and should provide. IOM's uncertain role and priorities have resulted in some detrimental developments including poor project development by headquarters, poorly maintained lines of communication with the field, and a lack of clarity in determining the future role for IOM.

I. EXECUTIVE SUMMARY

Recommendations

Our major recommendations are that PRM:

- designate an individual in the bureau to have overall oversight and monitoring responsibility over the U.S. Government's entire annual contribution to IOM;
- direct IOM to adhere to the provisions in the Memorandum of Understanding regarding the maintenance of U.S. funds in an identifiable account with interest paid on those funds at the prevailing rate;
- encourage IOM to implement cost cutting measures at headquarters;
- encourage IOM to collect overdue membership dues;
- use projectization information as a management tool especially to identify and discontinue deficit projects; and
- re-evaluate the role and priorities of an international organization, like IOM, dedicated to migration issues and clearly identify what needs such an organization can fulfill.

Department Comments

We discussed our findings with PRM officials and provided them with a draft version of the report. Where appropriate, we have addressed and incorporated PRM's written comments throughout the text of the final report. The full text of PRM's comments to the draft report are contained in appendix A.

In its comments, PRM concurred with the report findings and indicated that all 11 recommendations point in a constructive direction. However, PRM suggested modification or clarification of four of the recommendations. Where appropriate, the suggested modifications or clarifications were made.

II. PURPOSE AND SCOPE

We reviewed IOM to ensure that PRM was providing adequate monitoring and oversight of the U.S. Government's annual contributions to the organization. These contributions include an annual assessment required for membership in IOM and additional contributions to pay for U.S. projects and for unearmarked voluntary funds. The scope of this audit did not include an evaluation of the quality of actual services provided by IOM. IOM is one of many international organizations supported by PRM. The United States is the largest single donor country to IOM, contributing almost \$46 million towards IOM activities in 1996.¹

PRM is required to review and evaluate IOM activities to ensure the appropriate and effective use of U.S. funding. At a time of diminishing resources and an increased emphasis on refugee assistance due to the changing world situation, a review of long-standing recipients of PRM funding, like IOM, is necessary. The specific objectives were to review IOM's (1) cost accounting, (2) headquarters and field office structures, and (3) mission and future direction.

As part of our review, we interviewed PRM officials, IOM officials and employees, host government officials of Uruguay, Argentina, and Costa Rica, and U.S. embassy officials in those countries and in Chile.

Fieldwork for this review was conducted at IOM's offices in Washington, D.C., New York City, Los Angeles, Irvine, San Francisco, and Seattle. Fieldwork was also conducted at IOM headquarters in Geneva and its overseas field offices in Uruguay, Argentina, Chile, and Costa Rica.

This review was performed by the Consular and International Programs Division of the Office of Audits. Major contributors to this report were Maurice Blais, division director; David Wise, audit manager; Max Aguilar, auditor-in-charge; and Mary Tutman, auditor.

This review was conducted in accordance with generally accepted government auditing standards and included such tests and auditing procedures as were considered necessary under the circumstances. Audit work for this review was conducted from October 1995 to May 1996.

¹ IOM administrative and operational expenditures for 1995 totaled \$223.1 million.

III. BACKGROUND

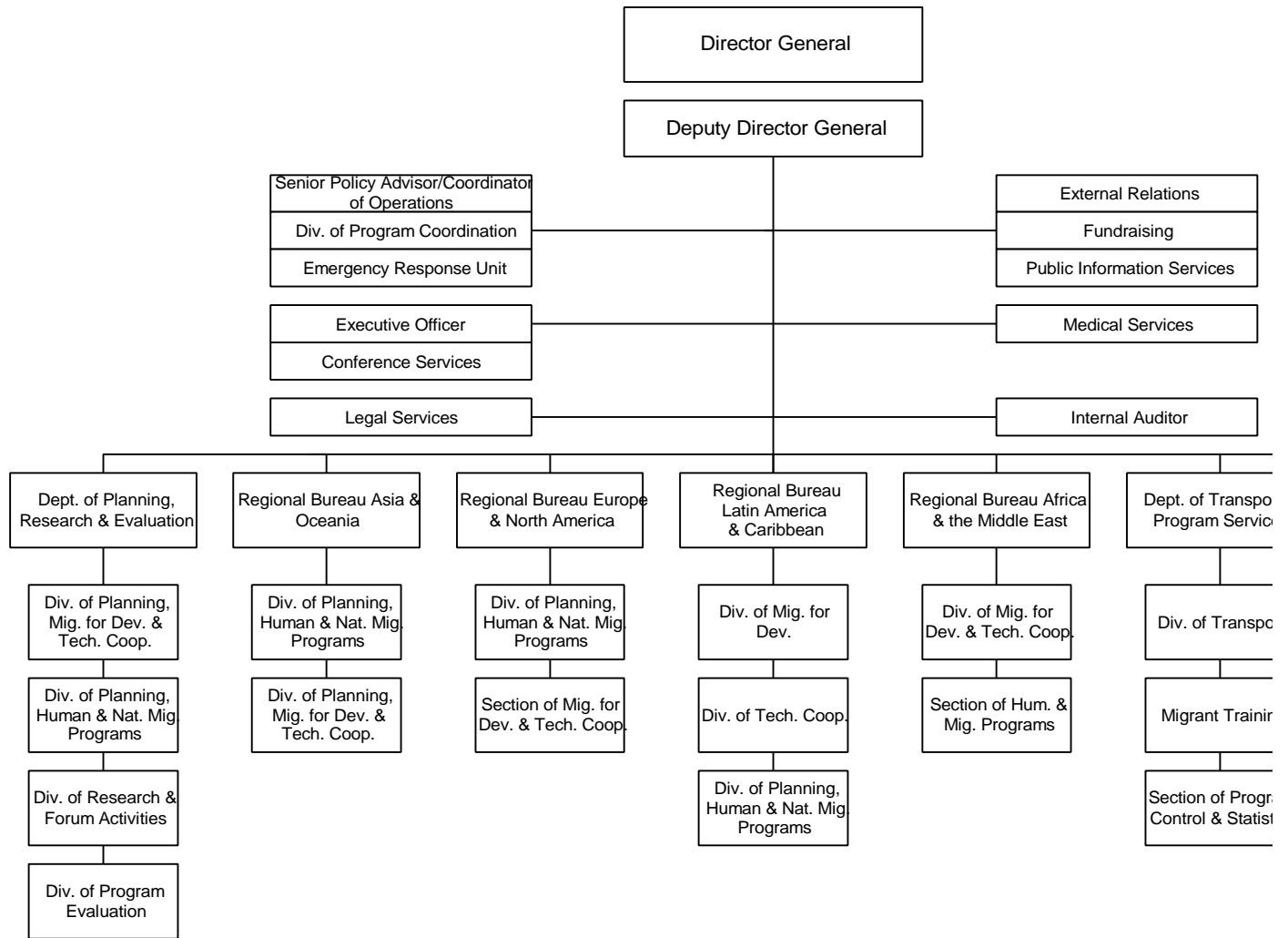
International migration has emerged as a major issue in international relations. In addition to refugees and persons displaced by war and civil conflict, there are more than 100 million people living outside their countries of origin for reasons ranging from economic betterment to environmental degradation. Migration increasingly is moving to the forefront of policy debates within and among countries.

PRM has responsibility for evaluating the refugee policies and programs it supports. The bureau allocates U.S. contributions to international organizations for refugee assistance and is required to review their activities to ensure effective use of U.S. funds. The basic authorities of the bureau are found in volume 1 of the Foreign Affairs Manual, section 520.

IOM was created by interested nations on December 5, 1951, to provide special migration assistance to ensure the smooth movement and settlement of migrants in their countries of adoption. It started operations in early 1952 as the Intergovernmental Committee for European Migration (ICEM). ICEM had been created to deal with issues that, in 1951, appeared to be of a temporary nature. Over the years, however, it became evident that problems related to the voluntary or forced movement of people were increasing. The current authority for the membership of the United States in IOM is found in the Migration and Refugee Assistance Act of 1962, as amended (22 U.S.C. 2601). ICEM's tasks grew and it progressively assumed an important role in addressing some of the most urgent problems facing the international community. Accordingly, the functions of the organization were adjusted to meet new needs and developments in the field of migration. In 1987, specific changes to ICEM's Constitution were made regarding the organization's role and mandate. The name of the organization was also changed to IOM. A current organizational chart for IOM is provided on page 8 of this report.

IOM seeks to ensure the orderly migration of persons who are in need of international migration assistance. IOM is composed of 59 member states and 42 states with observer status. It provides services to migrants and refugees worldwide at the request of interested nations. For PRM, IOM provides a variety of refugee assistance services including transportation assistance, English as a second language and cultural orientation training, loan collection management,² and contract staff for special projects.

IOM Headquarters' Structure



IV. FINDINGS

A. LAX OVERSIGHT AND MONITORING

PRM's oversight and monitoring of IOM is lax. Over the course of our audit work, we found:

- oversight responsibilities within PRM too fragmented;
- oversight of unearmarked³ voluntary contributions virtually nonexistent; and
- oversight and monitoring capabilities not used.

In the absence of adequate oversight and monitoring, (1) U.S. funds were used for IOM projects not supported by the bureau, (2) excessive U.S. funds were carried over by IOM from one fiscal year to the next, and (3) inadequate interest was paid to the United States on those amounts.

Bureau of Population, Refugees, and Migration Responsibilities

According to 1 FAM 520, PRM has responsibility for formulating, implementing, managing, and evaluating U.S. refugee and migration policies and programs under the overall direction of the Under Secretary for Global Affairs. PRM determines the level of U.S. contributions to international organizations for refugee relief and reviews their activities to ensure effective processing and transportation of refugees. Different offices within PRM oversee and monitor the activities of IOM including:

- PRM's Office of the Comptroller is responsible for overall financial management of the bureau's program appropriations for refugee assistance and admissions activities, including the preparation and execution of funding arrangements with IOM and other international organizations. In addition, the Office of the Comptroller is responsible for the accurate accounting for the obligation and liquidation of all bureau funds, reviewing and approving payments, analyzing financial reports, and implementing financial audit recommendations. Finally, the Office of the Comptroller is responsible for the coordination of inspections abroad and the refugee loan collection program.
- PRM's Office of Refugee Admissions, Overseas Operations Division, is responsible for the oversight of the work of IOM in its provision of transportation and other related services to refugees approved for U.S. admission.

³IOM receives unearmarked income which does not relate to specific projects. These funds are allocated for specific uses at the discretion of the Director General, based on the interests and priorities of member states.

- PRM's Office of Policy is responsible for developing policy on international refugee and migration issues and coordinating U.S. policy on refugee and migration issues in multilateral organizations including IOM.
- PRM's Office of the Executive Director is responsible for the monitoring of IOM training programs abroad, which provide pre-entry orientation to refugees accepted for resettlement.

Oversight and Monitoring Too Fragmented

While the framework for oversight and monitoring appears extensive, actual oversight is relatively limited. This shortcoming is apparent in various ways. First, no single person in PRM has oversight authority and responsibility over the entire annual contribution to IOM. Second, no one in PRM was able to provide comprehensive answers or details regarding the overhead rate charged by IOM and how the rate was determined. Third, PRM officials could not provide accurate information regarding IOM's cost accounting system, known as projectization.⁴

Oversight is further diluted because IOM's own budget is split between administrative and operational activities with different PRM offices overseeing these budgets. No one office or individual in PRM understands IOM's administrative and operational budgets and how the two budgets interact. In general, the various PRM offices responsible for IOM oversight and monitoring are not concerned with the areas of IOM not under their responsibility. Furthermore, IOM's own oversight is limited. As an international organization with over 1,000 employees worldwide, IOM has only one internal evaluator and one program evaluator to provide formal oversight and monitoring. All the reports produced by these individuals are internal documents that are not normally shared with IOM members.

Recommendation 1: We recommend that the Bureau of Population, Refugees, and Migration (PRM) designate an individual in the bureau to have overall oversight and monitoring responsibility over the U.S. Government's entire annual contribution to the International Organization for Migration (IOM).

PRM agreed with the recommendation and stated it will fully comply.

Oversight of Voluntary Contributions Nonexistent

Oversight of U.S. voluntary contributions is virtually nonexistent. Each year, IOM requests from member states voluntary, unearmarked contributions to help cover new initiatives and budget shortfalls. In fiscal year (FY) 1995, PRM contributed \$1.9 million as a voluntary

⁴Projectization is a cost accounting system developed by IOM at the urging of PRM. Projectization allocates staff and office costs generated by the field offices to specific projects in order to better track costs and revenues.

unearmarked contribution to IOM. As part of this contribution, PRM indicated to IOM that some of the funds should support IOM's Latin American projects. In response to this request, IOM headquarters designated \$120,000 of this unearmarked contribution to three of its major programs in Latin America that, at the time of our review, were not fully funded. However, the affected IOM field offices were never informed that this money had been designated to their projects. When they finally discovered that this money had been designated, none of it was spent because the projects were still not fully funded and needed additional money to commence project activities. While we were unable to determine how and where all the funds were maintained, a portion was designated for a project in Latin America that PRM did not favor funding. More vigilant monitoring of the U.S. voluntary contributions might have detected these discrepancies.

Similarly, PRM and IOM headquarters were unaware that the unearmarked funds designated for an IOM project in Chile was two different projects. IOM headquarters officials designated \$60,000 in unearmarked PRM funds for the Integrated System of Information on International Migration in Latin America and the Caribbean project, despite PRM wanting to fund a project on migration information systems, a separate project. IOM designated these funds plus an additional \$60,000 for other Latin American projects in response to considerations noted in PRM's second FY 1995 contribution of voluntary unearmarked funds. After the funds were allocated, the IOM field office in Santiago informed its headquarters on several occasions that the Integrated System and Migration Information Systems projects in Chile were two separate projects. Despite this confusion, for FY 1996, PRM earmarked an additional \$100,000 of its \$1.9 million voluntary contribution for the Integrated System project in Latin America.

Oversight and Monitoring Capabilities Unused

Three embassies (Buenos Aires, Santiago, and Montevideo), in countries where IOM designated U.S. funds, were unaware that U.S. funding was helping finance IOM projects in their respective host countries. Consequently, none of the posts was doing any type of oversight and monitoring of these U.S. funds. At the same time, PRM was providing little oversight of these funds. For example, a PRM official visited the region in November 1995 on a monitoring trip. This trip was the first, and only, trip to the region PRM has made to specifically review IOM activities. Despite its limited knowledge and oversight of IOM activities in Latin America, PRM has specifically called for IOM to use PRM unearmarked funding for IOM activities in the region. For FY 1996, PRM again earmarked a portion of its voluntary contribution (\$200,000) to IOM projects in Latin America.

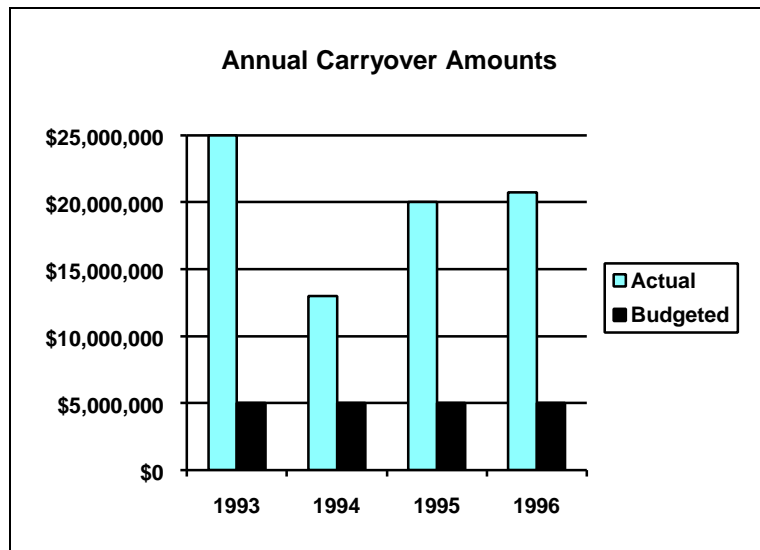
A

Excessive Carryover Funds

PRM has allowed IOM to maintain excessive carryover funds in its operational budget from year to year. The carryover amount is created by overestimating refugee movements for the year by both PRM and IOM. When allocating funds for refugee movements, IOM and PRM base their estimate on the refugee ceiling amounts. For the past several years, IOM has carried over excess PRM funds due to unused transportation funds arising from fewer than anticipated refugee movements and from the large number of refugees from the former Soviet Union who made their own travel arrangements. In 1995, PRM and IOM negotiated an acceptable amount to be carried over from year to year. PRM and IOM agreed that this amount should not exceed 1 month of operating expenses, or approximately \$5 million. Despite this agreement, the carryover amounts for both FY 1995 and FY 1996 exceeded this agreement by over \$15 million. PRM stated that it had not requested IOM to return the money because it is not easily reallocated to other refugee programs and, if it gave the funds back to the U.S. Treasury, the bureau's appropriation for the next fiscal year could be reduced by at least the amount returned.

Recommendation 2: We recommend that PRM and IOM use the percentage of refugee loan recipients of past years, versus the allocated ceiling amount, to predict movements more accurately for the upcoming year, thus avoiding excessive carryover amounts.

PRM agreed with the recommendation and stated it will fully comply.

**Insufficient Interest Rate
Paid on U.S. Funds**

Until April 1996, PRM also received a low rate of interest on these carryover funds --2.5 percent. According to the memorandum of understanding signed by PRM and IOM governing the use of these funds, all funds paid to or transferred to IOM by PRM must be identifiable and maintained in interest bearing bank accounts at prevailing rates of interest until the funds are disbursed by IOM for authorized expenses. Accrued interest may not be used to reduce charges to the bureau or to cover expenses of any activity, but must be paid promptly to the bureau for deposit into the United States Treasury. Any and all interest accrued on funds made available to

A

IOM's commercial bank under this memorandum of understanding must be returned to the bureau.

PRM was not receiving the prevailing rate of interest. IOM officials in Geneva told us that IOM was receiving a higher interest rate on these funds than the 2.5 percent rate it was paying PRM, and was keeping the difference earned for itself. According to IOM, it negotiated the interest rate with PRM. PRM did not recall negotiating a rate with IOM and assumed 2.5 percent was the best rate IOM could obtain. The interest income earned above the 2.5 percent on the carryover was essentially additional unearmarked funding being provided unintentionally to IOM by PRM.

In its comments, PRM acknowledged that there was an informal discussion regarding the difficulties IOM faced in tracking PRM funds separately from other governments' contributed funds. PRM noted in its comments that there was no agreement nor any discussion of a specific rate which IOM could pay to the U.S. Government. PRM did indicate to IOM that paying the U.S. Government an average of the various interest rates IOM obtained for its multi-donor funds seemed reasonable.

IOM headquarters officials stated that the interest rate was negotiated with PRM because the bureau's funds were not maintained in separate accounts. IOM could not identify where these carryover amounts were maintained and stated that the funds were dispersed throughout the organization, including in the bond market and other investment accounts. IOM headquarters officials stated that if PRM suddenly requested the carryover money back, IOM would have to sell some of its bonds because the funds are not readily available.

As a result of our inquiries to IOM and PRM questioning the low rate of interest paid to the U.S. Treasury and how the rate was determined, IOM in April 1996 increased the interest rate for the carryover amounts to 5.2 percent. IOM stated that the 5.2 percent rate more accurately reflects the prevailing rate of interest IOM was receiving for those carryover funds.

Recommendation 3: We recommend that PRM direct IOM to adhere to the provisions in the Memorandum of Understanding regarding the maintenance of U.S. funds in an identifiable account and the interest rate paid on those funds. As part of this effort, PRM should determine how much past interest is owed to the U.S. Treasury by IOM for fiscal years 1995 and 1996.

PRM believes the recommendation to have IOM repay a determined amount of past interest could be extremely detrimental to the financial ability of IOM to continue operating. PRM believes that requiring IOM to use interest accrued on other governments' contributions or other miscellaneous income would be placing an undue financial burden on IOM at a time that, as the report indicates, it is struggling to maintain financial viability. In response to PRM's concerns, the recommendation was modified to specify repayment of past interest for the past two fiscal

A

years starting in 1995, the year PRM and IOM agreed to an acceptable amount to be carried over from year to year.

A

B. UNHEALTHY FINANCIAL SITUATION

IOM is experiencing a recurring annual deficit, structural underfunding, and an unrealistic and confusing budget process. These financial problems seriously threaten its functioning as an international organization. IOM's Director General stated at the May 1996 Executive Committee meeting that "swift and effective steps were required to avoid the financial collapse of the organization."

Past Annual Deficits

IOM operates on two separate budgets to which members contribute: the administrative budget and the operational budget. The administrative budget is funded through assessed contributions, modeled after the United Nations assessment scale. This budget covers the costs associated with headquarters and the costs of IOM Chiefs of Mission and their corresponding secretaries in 15 field offices. The United States is the largest contributor, assessed in 1996 at 29.95 percent of IOM's administrative budget or almost \$8.8 million. Most other member countries are assessed at a much lower rate.⁵ The operational budget of IOM, on the other hand, is funded primarily by member contributions earmarked for specific projects. The operational budget is also financed through additional unearmarked voluntary contributions and overhead income; both are distributed as desired by IOM headquarters.

IOM has operated with a recurring annual deficit in the administrative budget. This deficit is caused by member governments not paying their annual membership assessments. Around 45 percent of IOM's 59 members are in arrears with their assessments. In 1994, the administrative deficit was \$4 million, and in 1995 it was \$5 million. IOM's listing of arrears from 1989 to 1995 shows a total of \$8,684,913 that remains unpaid to the administrative budget. IOM has moved receivables overdue by one year into a "provision for doubtful receivables." The reasons behind arrears in IOM's membership dues include the following:

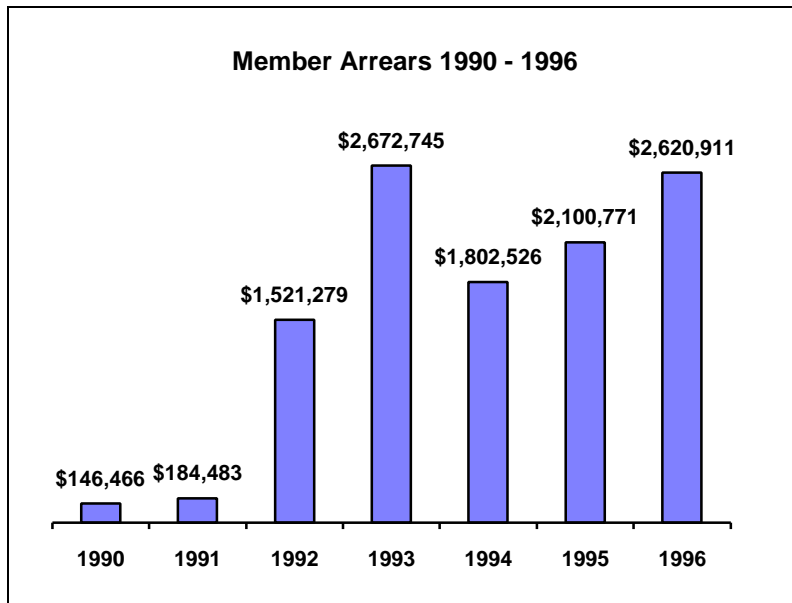
- Many members do not believe their needs are being served.
- IOM has been slow to suggest sanctioning non-paying members.
- Developing countries are placing more pressures on IOM for programs and offices. IOM appears to reward these pressures by allowing low assessments, arrears, entertaining funding requests, and maintaining deficit projects.

⁵The assessment can go as low as 0.1 percent for some countries, an annual contribution as low as \$29,362. PRM has suggested an absolute minimum assessment at 0.05 percent, amounting to only \$14,681 for 1996 for members assessed at that rate.

A

PRM has been reluctant to recommend that IOM take a more punitive stand against members who do not pay dues because of the U.S. arrears to the United Nations.

In its comments, PRM disagreed with the assessment in the draft report concerning the reasons behind arrears in IOM's membership dues. PRM believes the arrears stem primarily from the weak financial positions of the governments in question.



IOM has not penalized any members for nonpayment. IOM's Executive Committee and Council (council) meet annually in November to review IOM's budget. At the November 1996 meeting, the council deferred a decision on whether to penalize members in arrears. Article 4 of IOM's constitution provides that voting rights for members can be suspended for failing to meet financial obligations for 2 consecutive years by a two thirds majority vote of the council. As of the end of 1996, nine IOM

members would have been subject to the provisions of article 4: Angola, Armenia, Bolivia, Dominican Republic, Guatemala, Kenya, Panama, Uruguay, and Zambia. Although the loss of voting rights as a penalty is allowable under IOM's constitution, IOM has tabled the issue until the 1997 budget year. Ironically, many members in arrears would like a further reduction in their assessments and an increase in IOM activity in their regions.

Zero Real Growth versus Zero Nominal Growth in the Administrative Budget

IOM and its members have considered two approaches in dealing with the annual cost increases that occur in the administrative budget. One is a zero real growth approach where the budget total is increased by the inflation rate and other cost of living adjustments, thus raising the actual amount paid to IOM in the form of an assessment. The other approach is a zero nominal growth approach where the budget amount remains exactly the same as the previous year. This would mean that inflationary cost and statutory obligations increases would need to be absorbed through budget cuts by IOM.

PRM supports a zero real growth approach to IOM's administrative budget and agreed to a 5.25 percent increase in IOM's administrative budget for 1996. PRM said that IOM has grown very rapidly and requires a larger budget. IOM member countries, such as Canada and Australia,

A

want a zero nominal growth administrative budget with no increase in the budget. These members believe IOM should be forced to absorb cost increases due to inflation and statutory obligations under a budget of zero nominal growth.

In our view, PRM should review its decision that IOM's administrative budget should not have to face the same budgeting pressure faced by IOM's field operations and by PRM. Many of the management and financial problems IOM faces originate in headquarters and the administrative budget. Without the budgetary pressure implicit in a zero nominal growth budget, IOM has little incentive to reduce costs and improve the management of activities financed by the administrative budget. A reduction or realignment of the staffing supported by the administrative budget would be a step in the right direction. Some administrative staff positions should be transferred to the operational budget and/or the field so that they can be financed through projectization.

Overhead Fee Used to Recoup Deficit Caused By Arrearages

In an attempt to cover certain costs in the administrative budget, IOM instituted an overhead fee in 1994. The projectization guidelines explain that the overhead fee (9.5 percent at the time of our review) is charged on the cost of project staff and office costs in the field to cover administrative positions in headquarters that provide services to all projects, such as the departments of transport, management and finance, medical services, portions of bureau staffs, and public information services. The cost of these positions is to be charged to all projects through the overhead percentage charged by projectization.

However, according to IOM's internal management review and IOM officials, the 9.5 percent overhead fee charged to the operational project budgets is needed to cover the administrative deficit caused by member arrears. In missions we visited, IOM employees referred to this overhead fee as a "headquarters tax" and did not know what it paid for and why the operational programs must pay it. This overhead fee is in addition to members' annual assessments. The 9.5 percent fee unfairly penalizes members who have paid their membership dues, since the fee covers the deficit arising from membership arrears.

Headquarters depends on the administrative overhead fee it charges donors that are financing projects because this fee helps to offset the administrative deficit. In our view, this is unreasonable for members who pay their assessments considering the fee covers administrative deficits caused by members' arrears and the high cost of maintaining headquarters. Essentially, this overhead fee becomes additional unearmarked income that IOM labels overhead income to be distributed as headquarters desires. Since projectization has not been formally adopted by the IOM membership, some members are not paying the 9.5 percent fee. These members may be paying less through a service fee system or being charged a smaller overhead fee. Thus, IOM is not even collecting the full amount of overhead fee that it builds into its budget. Although the fee is collected based on project staff and office costs in the field, the money goes to cover

A

headquarters and other administrative costs. This places a further strain on field budgets, where all the significant IOM budget cuts have been made.

In its comments, PRM stated that this section of the report confuses the administrative and operational budgets. PRM believes that the 9.5 percent fee is used to address the deficit in the operational budget and is not related to the administrative budget. However, the information in this report regarding the relation of the 9.5 percent fee to the administrative budget came from IOM's own internal management report.

Management Review Results

During 1995, IOM undertook a management review of its activities. The management review acknowledged that headquarters is planning to (1) streamline decision-making processes, (2) decentralize and move functions to the field including reducing headquarters office space and staff, (3) eliminate rental costs for the headquarters annex, and (4) move project management to the field.

As a result of this review, IOM recently proposed establishing 20 area resource centers to be located around the world to act as sub-regional hubs for IOM's field activities. Part of the proposal includes shifting positions between Geneva and field posts to reduce administrative expenditures. To accomplish this, IOM is seeking membership approval to shift positions from the operational budget to the administrative budget. While some shifting of positions may be warranted, PRM should thoroughly scrutinize all IOM budget proposals that move away from projectized costs. Some field officials do not believe the review will create any real change. We believe this management review was long overdue. In 1994, for example, some IOM field missions were calling for the decentralization and staff rotation policies highlighted in the review.

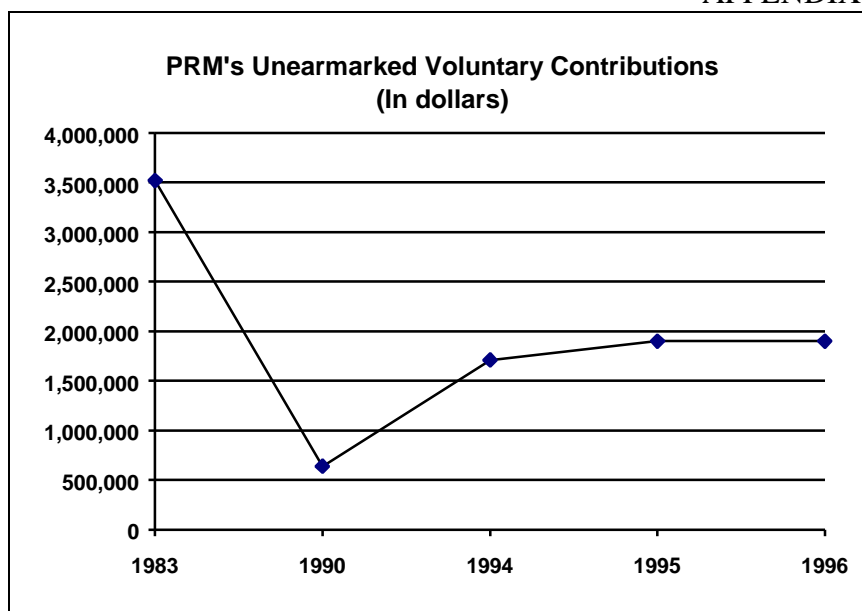
Structural Underfunding

In addition to the administrative deficit caused largely by membership arrears, the operational budget also suffers from a deficit that IOM calls "structural underfunding." Part of this underfunding is the result of the implementation of projectization. Prior to projectization, the U.S. Government paid a service fee for its own projects and also paid the difference between a service fee charged to other governments for their own projects and the costs that the service fee did not cover. In effect, the U.S. Government was subsidizing costs for other countries. In addition to paying less for the service fees overall, the U.S. Government's voluntary contributions to IOM that are used to subsidize underfunded projects have declined steadily over the years from \$3.52 million in 1983 to \$1.9 million in 1995. For 1996, IOM anticipates receiving a unearmarked voluntary contribution of \$1.9 million from PRM.

A

The structural underfunding (i.e., operational deficit) has been sizable since 1993. At the May 1996 Executive Committee and Subcommittee on Budget and Finance (SCBF) meetings, the Director General said that the structural underfunding has not fallen below \$3.6 million despite the cost cutting measures in the field. The operational deficit was \$6.1 million at the end of 1994 and \$4.8 million at the end of August 1995.

Miscellaneous, or unearmarked income was used to reduce the 1994 deficit to \$3.8 million, and the 1995 deficit to \$4.0 million. However, miscellaneous income has declined since 1992.



Operational Deficits in Latin America

In Latin America, all missions operate with a deficit except for Haiti, where the U.S. Government is paying for the entire project, and Jamaica, where there is one small project. The 1995 deficit, or structural underfunding for the region was \$3,214,200. After headquarters reduced costs by \$2,817,967, a \$396,233 deficit, or underfunding, still remained. This underfunding still exists with some field missions, despite subsidies in the form of staff positions paid for by the administrative budget, the use of miscellaneous income, and after using projectization accounting to identify the costs associated with each project.

Recommendation 4: We recommend that PRM encourage IOM to increase its efforts to collect overdue membership assessments. As part of this effort, PRM should propose to the Sub-Committee on Budget and Finance that IOM establish parameters when deciding which projects to fund, including terminating funding of deficit projects in member countries that have not paid membership dues.

PRM agreed with the recommendation and stated it will fully comply.

Budget Process Unrealistic and Confusing

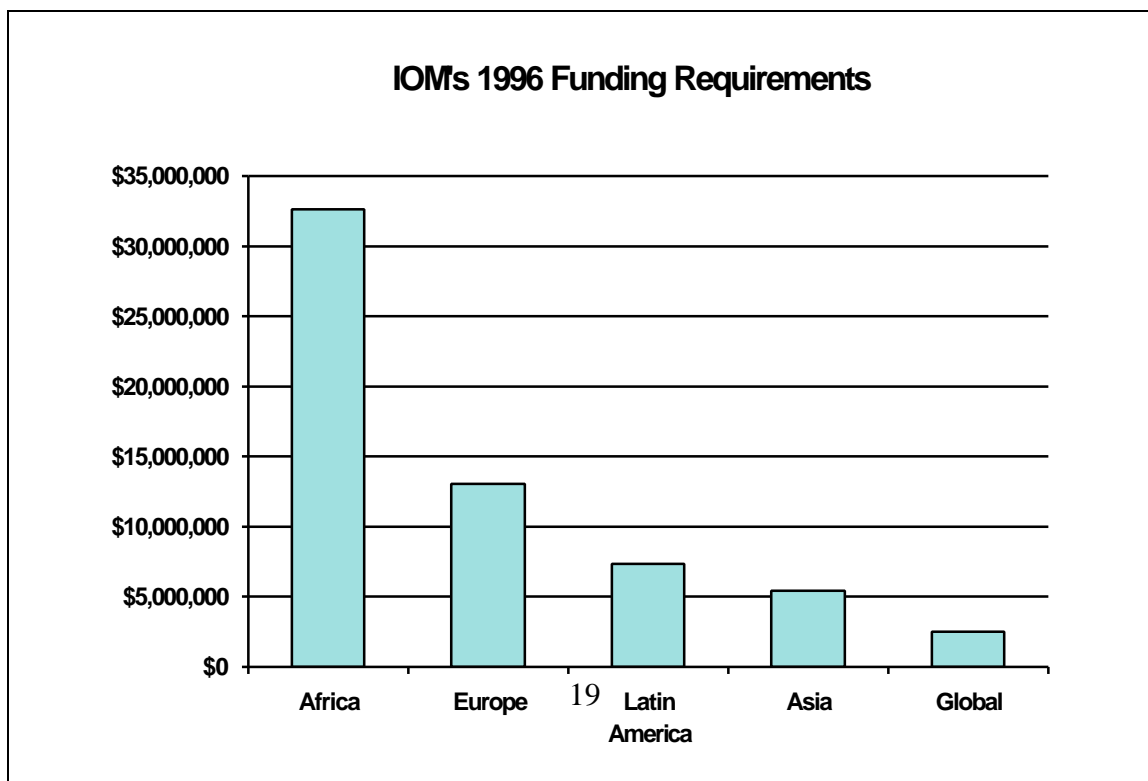
A

IOM's budget process is unrealistic and confusing. Even some of IOM's field missions are unclear how headquarters develops the budget and are only marginally included in the overall budget process. This situation is largely due to:

- an inadequate budget document;
- arbitrary allocation of field offices; and
- dependence on member subsidies.

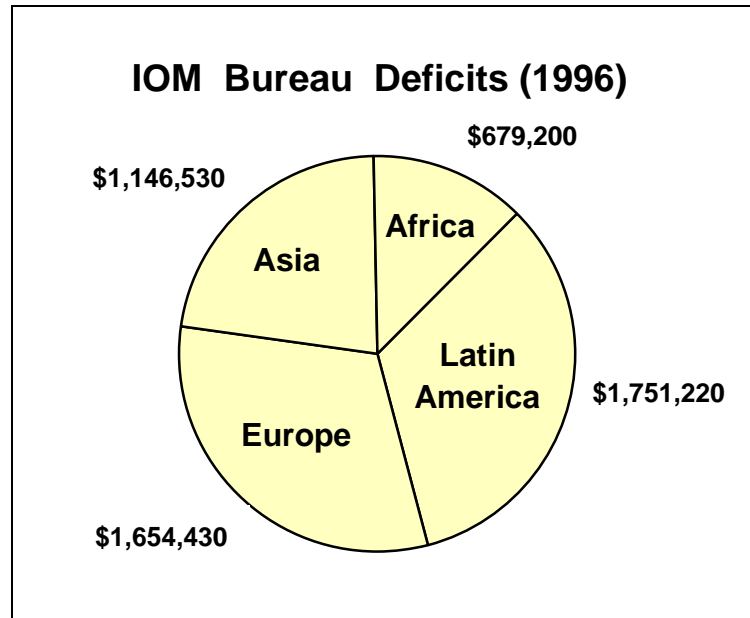
Inadequate Budget Document

IOM uses the annual budget document, referred to as the "Blue Book," as a fundraising tool. As a result, much of the document consists of text designed to encourage contributions from donors by describing a wish list of unfunded programs. As a fundraising document, much of the budget each year is based on unrealistic expectations by IOM management. Funding for projects is based on what IOM hopes to raise, not actual funds available. The 1996 budget is presented as a balanced budget despite the lack of funding listed in it. These project deficits are not shown in the budget as deficits. Instead, they are listed as "funding required" in a separate section of the Blue Book. The Blue Book lists 1996 total funding requirements of \$60,867,380 broken down by bureaus as follows: Africa and the Middle East - \$32,648,990; Europe and North America - \$13,028,270; Latin America and the Caribbean - \$7,311,200; Asia and Oceania - \$5,405,380; and Global Activities and Program Support - \$2,473,540.



A

A confusing section in the Blue Book is "Staff and Services Not Attributed to Projects." The Blue Book explains that this category includes core staff and service structures that support ongoing projects, fundraising, liaison and project development. One explanation given by IOM is that this category contains the amount required that the 9.5 percent collected in the field does not cover. Obviously, this term is another way of indicating there is a deficit. For 1996, the Latin American bureau has a deficit in this category of \$1,751,220; the Europe and North America bureau has \$1,654,430; the Asia bureau has \$1,146,530; and the African bureau has \$679,200. IOM has acknowledged the problems concerning the Blue Book budget document. IOM's own management review recommends that the Blue Book be separated into components that are clearly distinguishable. These components would include sections on the budget, programs, and fundraising.



Recommendation 5: We recommend that PRM encourage IOM to modify the Blue Book budget document so that costs, deficits, and funding needs are separate and clearly distinguishable.

PRM agreed with the recommendation and stated it will fully comply.

Field Office Structure

IOM maintains field offices in 59 countries. The majority of these field missions are financed by the operational budget. However, IOM also maintains 15 field offices financed by the administrative budget. IOM's field office structure is problematic because:

- headquarters lacks criteria for establishing and funding overseas missions;
- the field structure is expensive to staff; and

A

- headquarters subsidizes some field missions by covering the significant expense associated with the Chiefs of Mission and secretarial positions out of the administrative budget.

Without a strong field office presence, headquarters would have no reason to exist. IOM depends on its field offices to produce the work that IOM members request it to do. Even though the administrative budget is funded separately, members will not be willing to pay for the administrative costs at headquarters if there are not relevant activities in the field.

A PRM official stated that PRM is aware that IOM is “top heavy” and that headquarters could be restructured. Although projectization and downsizing have reduced field office staffing, headquarters has remained intact. The Deputy Director General has said that headquarters intends to decentralize and eventually limit its role to monitoring and liaison activities. Even if this were to be accomplished in the near future, the process will be problematic if the field structure is not adequately staffed to handle these additional functions. According to the Deputy Director General, the field has already been “cut to the bone.” The process of decentralizing would be beneficial, as staff and administrative costs are much higher at headquarters. However, to pay for these changes, more of the assessed administrative budget currently allocated to headquarters positions would need to be moved to the field.

Recommendation 6: We recommend that PRM encourage IOM to implement cost cutting measures at headquarters that include calling for zero nominal growth in IOM’s administrative budget, reducing the size of the headquarters staff, moving positions to the operational budget, and determining what services it can best provide.

PRM agreed with the recommendation and stated it will fully comply.

Lack of Criteria

A resolution passed by IOM members in 1969 provided that all headquarters core staff and supporting costs be allocated to the Administrative budget, and, in the field, include the Chiefs of Mission and their secretaries. The resolution neither distinguished between member and non-member countries nor stated that member countries would host an IOM mission office. IOM states that “the practice has been and remains to propose the creation of field missions based on criteria of liaison and operational necessity.” This vague definition has insured that, in practice, member countries expect IOM to establish a local field office, whether or not the member country is paying its membership dues or financing projects.

Expensive Mission Staffing

A

The vast majority of IOM missions are headed by a Chief of Mission with international official status.⁶ An international Chief of Mission for a particular field office dramatically raises its costs. For example, in Uruguay, the 1996 budget is approximately \$249,000. Of that budget, \$137,600 covers the Chief of Mission's salary. The income generated by the office is approximately \$28,000 in service fees. Less than 14 percent of the mission's expenses are covered by the service fees. In another example, Costa Rica is 1 of the 15 field offices supported by the administrative budget.⁷ Out of a 1996 budget of \$494,581 in staff and office costs for 14 employees, a total of \$241,600, or almost 50 percent, is used to pay for the salaries of 2 international officials. Chile is another mission receiving an administrative subsidy. Of a total budget for 1996 of \$577,317, approximately \$192,000 goes to fund the Chief of Mission and the senior secretary's salaries.

IOM is exploring ways to reduce the use of international officials in the field. One option is to consolidate various field offices into regional hubs. PRM has suggested that IOM use regional offices where one international official would be in charge of more than one office, and that the offices would be staffed with less expensive local hires. IOM has instituted this idea in Costa Rica where Costa Rica serves as the regional office for El Salvador, Honduras, and Panama. Converting a field office to local hires could be an alternative to closing an office, especially in countries where assessments are not being paid and projects are not being funded to an adequate degree.

Field Offices in the Administrative Budget

Having a field office charged to the administrative budget means that the Chief of Mission and one secretary are not projectized and, thus, are not charged to the operational budget. Instead, the administrative budget covers the costs. Funding some field offices in the administrative budget and some in the operational budget confuses the issue of which projects and offices are deficit producing. In effect, offices with Chief of Mission positions funded through the administrative budget are being subsidized by headquarters, while a majority of the field offices are absorbing similar costs in their operational budgets.

International Organization for Migration Dependent on Voluntary Contributions

The unearmarked income from donors is important to IOM's operational budget. This income or subsidy, in effect, allows IOM to reduce its annual deficit. Without this subsidy, the deficit would be higher. IOM has requested PRM to give voluntary, unearmarked contributions in addition to paying a 29.95 percent membership assessment, paying for the U.S. Government

⁶ IOM follows the pay and benefits scale established by the United Nations for employees designated international.

⁷ The 15 field offices paid for by the administrative budget are: Belgium, Germany, Italy, Portugal, Washington, D.C., Argentina, Chile, Colombia, Costa Rica, Ecuador, Peru, Venezuela, Australia, Thailand, and Kenya.

A

programs in full, and paying a 9.5 percent overhead fee on the staff and office costs of those programs.

Additionally, members are not contributing funds for projects benefiting their own countries. As a result, there is a lack of ownership for the projects. While members will not object to having IOM operate projects financed by the international community in their countries, we believe IOM should be more insistent on members paying for their own projects. This would help ensure that worthwhile projects are carried out. While PRM acknowledges that members should pay their arrears and commit funds to their own projects, the bureau agreed to earmark \$200,000 to finance two Latin American projects for 1996 without insisting that the governments benefiting from the projects contribute to the projects. Instead, PRM stated that future funding would depend on whether multilateral support could be achieved. In our opinion, this encourages members to delay funding and promotes the view that PRM will continue to fund projects that primarily benefit a specific member.

Recommendation 7: We recommend that PRM encourage IOM to cut costs, wherever possible, by moving some international personnel from headquarters to the field and by replacing some international personnel at field posts with non-international status personnel.

PRM agreed with the recommendation and stated it will fully comply.

C. COST ACCOUNTING PROBLEMS

In December 1993, IOM developed guidelines for a cost accounting system called projectization. This cost accounting system was a positive development and strongly supported by PRM. However, problems with projectization have included:

- ambiguous implementation guidelines;
- inconsistent implementation; and
- inaccurate reporting.

Projectization Background

IOM started projectization largely to satisfy PRM's more stringent reporting requirements and to provide accurate cost accounting information for IOM and member governments.⁸ One

⁸In 1992, a new Memorandum of Understanding was negotiated with IOM by PRM. This 1992 Memorandum of Understanding incorporated new financial reporting requirements to make IOM more accountable for the funds received from PRM. Prior to this, in addition to paying for the U.S. Government projects and paying a service fee, the U.S. Government was being asked by IOM to pay the difference between a service fee charged to other

A

projectization goal is to identify areas that could be cut to save costs. Before projectization was implemented, IOM was not systematically allocating project costs.

Beginning in 1994, IOM began to allocate staff and office costs generated by the field offices to specific projects to better track costs and revenues. This process allowed IOM management to identify full project costs, and more importantly, to identify deficit projects. Once full project costs were identified, the member government or donor was expected to pay its projectized portion. The information gathered from the use of projectization would be shared with the governments so that costs attributed to programs could be fully covered. In some cases, identifying the full cost of projects showed that the project sponsors were not paying the project's full cost.

Ambiguous Implementation Guidelines

The 1994 projectization guidelines provided for a percentage split of staff and office costs of any one program or project of not less than 25 percent. As a result, an employee's time could only be distributed among a maximum of four projects, regardless of the number of projects that might actually have been worked on by the staff member. For example, if the field office accountant worked on all of the office's projects, only the four largest projects would be charged. This meant that costs related to some projects might not be captured in the system, allowing their costs to be subsidized by the larger projects. The same process distorted office costs such as equipment purchases and office rent, again, insuring that a maximum of four projects were projectized for cost allocation.

The original projectization guidelines were updated in 1995 and no longer required a 25 percent minimum split for staff and office costs. IOM's internal auditor worked with some field missions to more accurately portray how time and costs are actually being spent. In addition, the 1996 program and budget guidelines explain that missions are no longer bound by the 25 percent allocation. Despite these changes, some field missions are operating under the original guidelines calling for a minimum 25 percent split in projectization costs. For example, the staff at the San Jose, Costa Rica, mission we visited were unaware of any updates to the original projectization guidelines issued in January 1994.

Projectization Guidelines Implemented Inconsistently

One major problem with implementing projectization is that it is not formally part of IOM's constitution. Therefore, member governments are not required to follow projectization cost guidelines. As a result, IOM has to prepare different financial reports for member governments and charge different overhead rates, making cost comparisons difficult. Although the standard project overhead rate used by IOM is 9.5 percent, some donors are charged other

governments for services and the actual cost of those services that the service fee did not cover. In effect, the U.S. Government was subsidizing programs and services IOM was providing to other countries.

A

overhead rates. For example, the European Union is charged 3.7 percent on a project in Costa Rica. A project in Argentina charges a 4 percent overhead fee. Also, some of the missions have the Chief of Mission and a secretary charged to the administrative budget, while other missions fully projectize these positions. Therefore, it is difficult for IOM and member governments to objectively compare mission costs, and project deficits associated with those costs, when projectization guidelines are not uniformly applied.

IOM headquarters issued instructions for implementing projectization in January 1994. Projectization was scheduled to have a 2-year implementation period from January 1994 to December 1995. However, at the end of the 2-year phase-in period, headquarters had not articulated clearly to the field offices how to implement projectization. Despite statements by IOM's Director General at the November 9, 1995, SCBF meeting that "the projectization initiative has now been fully implemented," efforts to implement projectization continue. For example, in December 1995, a meeting was held in Santiago, Chile, for South American field office financial officers to provide training on the consistent use of projectization. Also, at the SCBF's May 1996 Spring session, IOM's administration noted that "it is close to reaching agreement with Canada and other countries" on using projectization.

Inaccurate Projectization Reporting

Even after a 2-year phase-in period, PRM is still unable to obtain accurate projectization reports from IOM. PRM, when reviewing the FY 1996 operating budget, indicated that many of the costs proposed by IOM "appear too high." In the FY 1996 budget consultations, PRM questioned IOM why the Ho Chi Minh City mission per capita staff and office costs were 48 percent higher than in FY 1995, and why the FY 1996 budget's total per capita costs are 72 percent higher than FY 1995, despite a declining caseload for that office. In our opinion, the budget allocation was based more on IOM charging what it perceived PRM could pay versus submitting true costs to PRM based on accurate cost allocations.

PRM is partly responsible for this problem because the bureau does not verify the accuracy of the costs and percentages assigned by IOM to the U.S. Government projects. In addition, even when PRM officials were aware that IOM overcharged the U.S. Government program in Hong Kong, PRM allowed this overcharge because the bureau believed the Hong Kong office would close if PRM did not agree to pay more than its projectized share. By both insisting on the use of projectization, while ignoring the real costs identified by projectization, PRM in effect encourages IOM to overcharge the U.S. Government.

PRM also has been unable to persuade IOM to accurately track movement numbers and costs that are charged to various budgets. PRM told IOM in December 1995 that budget and expenditure reports must include refugee movement figures for the U.S. Government and overseas. Also, PRM reminded IOM that costs are to be reported in the budget where the expenses were incurred, not where the bills are actually paid.

A

Projectization was intended as a planning and budgeting tool and it has more clearly identified deficit-producing projects. However, IOM is not using the information collected from projectization to prepare accurate budget estimates and movement numbers for the various field missions.

Recommendation 8: We recommend that projectization information be more widely used by PRM and IOM as a management tool especially to identify and discontinue deficit projects.

PRM agreed with the recommendation and stated it will fully comply.

Recommendation 9: We recommend that PRM scrutinize more closely the costs and percentages assigned to the U.S. Government projects by projectization, especially by requiring IOM to provide detailed budget justification for significant budget increases to U.S. Government projects.

In the draft report, we recommended that PRM verify the accuracy of costs and percentages assigned to the U.S. Government projects by projectization. PRM suggested the above recommendation as an alternative. PRM believed that the draft language of the recommendation would require a financial audit of jointly funded activities that is not permitted by IOM's membership restrictions. To address fully our concerns raised in the report, we added to the recommendation the language requiring IOM to provide detailed budget justification for significant budget increases.

Recommendation 10: We recommend that PRM encourage IOM to consistently practice projectization in both headquarters and the field missions.

PRM agreed with the recommendation and stated it will fully comply.

D. REVISION OF ROLE AND PRIORITIES NECESSARY

Like most international organizations, IOM exists to provide services and information to member governments. However, we found that IOM sometimes fails to meet this responsibility and its future role is unclear. Part of the problem lies with PRM and other IOM members who continually state the need for an international organization to handle migration issues, but do not state clearly and specifically what migration needs an international organization like IOM can and should provide.

IOM's uncertain role and priorities have resulted in some detrimental developments including:

A

- poor project development by headquarters;
- poorly maintained lines of communication between headquarters and the field; and
- a lack of clarity in determining the future role for IOM.

Poor Project Development at Headquarters

In recent years, project development at IOM headquarters has been poor. For example, IOM's management review team found that IOM is not developing new projects and programs in a timely manner due to internal inefficiencies such as operating procedures, organizational capacity, personnel attitudes, and restrictive organizational structures. The IOM management review team also found that IOM is unable to develop projects that anticipate appropriate and innovative responses to client needs. While examining factors that impede project development, the management review team found that more than 80 staff members, including a large number of senior staff, were involved in one project. The IOM team could not determine who, if anyone, was in charge. In another project the IOM team reviewed, headquarters and field officials disputed who should have ultimate authority. A third project the IOM team analyzed cited headquarters causing unnecessary delays in the project. Most of the proposed projects for Latin America, for example, are not clearly defined. For the most part, very few Latin American projects have been financed in the past 10 years.

Dependence on Traditional Programs

Many of IOM's field activities continue to rely on programs that do not require implementation by an international organization. For example, in most of the field offices we visited in Latin America, the bulk of the program activity centered around transportation/movement services provided by IOM. Whether the travel assistance provided by IOM involves the provision of discounted tickets to student travelers or an exchange or return of talent program⁹ for a developing country, this type of travel assistance activity is the primary type of activity carried out at most of the field offices. In fact, movement services is IOM's primary activity, accounting for 67 percent of IOM's total operational expenditures in 1995.

Movement services are vulnerable in the emerging competitive environment. Other international organizations, non-governmental organizations, and the private sector are all competing in this area. At the same time, IOM's movement services consist of many large programs that are ending or decreasing in size, which leads to a shrinking IOM field presence. IOM is increasingly becoming an organization without the resources and organizational flexibility to compete.

Poor Headquarters-Field Communication

⁹ Exchange and return of talent programs include the return and reintegration of nationals abroad seeking to return to their home countries.

A

Headquarters communication links with the field are poorly maintained despite having been spared the dramatic staff cuts endured by the field. We identified four notable examples in our field visit to IOM's Latin American operations.

- IOM headquarters did not fully inform much of the Latin American field structure regarding projectization efforts and other initiatives. The regional field office for Central America was still operating under projectization guidelines issued in early 1993, despite important changes made to those guidelines.
- A regional data collection center in Santiago, Chile, was unaware that a data collection center with a similar mission in headquarters had been created. The Santiago center found out about the headquarters center through the internet from someone not employed by IOM. This same center has also attempted to obtain headquarters guidance regarding the possibility of charging subscription fees for its major publication. The charging of subscription fees had been an issue raised by the internal auditor sent out by headquarters. At the time of our field visit, Santiago's field office's inquiries had gone unanswered.
- Headquarters has placed extreme cost-cutting burdens on the overseas missions along with inconsistent management instructions. One Chief of Mission described a staffing problem related to one of its programs. The Chief of Mission mentioned that in the fall of 1995, the mission was under intense pressure from headquarters to cut costs, including cutting the cost of a program supported by PRM. At the time, two full-time employees were assigned to the program. To abide by headquarters' directive to operate the program with a lower budget than requested, the Chief of Mission was forced to cut the two employees to part-time status, since the budget could fund only one full-time employee. Following the decision, one of the two program employees complained to headquarters about the reduction in working hours. In response to the Chief of Mission's actions and the affected employee's complaints, the regional bureau head in headquarters requested that the employee be reinstated to full-time status, suggesting that the mission use some of the 1995 PRM unearmarked voluntary contribution designated for another mission program to pay the affected employee's salary. Additional pressure to reinstate the employee was placed on the Chief of Mission by IOM's Deputy Director General who wrote directly to the Chief of Mission demanding that both employees be reinstated to full-time status.
- Another serious breakdown in the lines of communication between headquarters and the field involved the on-going proposed Migration Information System project IOM headquarters has sought funding for, including funding requests to PRM. The project involves developing mechanisms to track annual internal and external migration statistics between countries in Latin America. IOM headquarters, in its project

A

proposal documentation and budget information generated in Geneva, confused the project with another Santiago field office project, the Integrated System project. Despite field office efforts to clarify the two distinct projects, headquarters continues to confuse the two projects by labeling the two projects as the same project. The confusion has reached a point where even donor countries, like the United States, consider the two distinct projects the same project. We found it alarming that such a blatant error could continue despite efforts by the field to clarify the project names. Moreover, we question the usefulness and relevance of both projects when both the donor and the recipient of the funding do not know what they are funding.

International Organization for Migration's Future Role Unclear

With the end of the Cold War and a decrease of refugee admissions, IOM is searching for a mission beyond migrant movement services. IOM has stated its overall strategic goal is "to be the leading global organization on migration by the year 2000." PRM has endorsed this plan. The reorganization and renaming of the new PRM bureau in 1994 recognized that "migration" has become a significant strategic policy area for U.S. foreign policy. The bureau has included migration policy in its list of high priorities. One of the central tenets of PRM's migration policy is that migration issues are global issues requiring global solutions. PRM believes that it is in the U.S. Government's interest to support an international organization in the migration field that brings expertise in the form of technical cooperation and multilateral services.

Defending the need for an international organization that handles migration issues, PRM officials stated that the bureau has limited access to information related to migration figures and statistics and that IOM fills this void. We believe that the need for migration information does not warrant nor justify the need for an international organization devoted to this effort, especially since PRM and IOM have devoted only small portions of their funds to this effort. As part of its commitment, PRM has allocated around \$2 million per year since fiscal year 1994 to "Migration Activities." The vast majority of these funds have been given to IOM in unearmarked, voluntary contributions. Given that virtually no oversight takes place of these unearmarked funds, PRM cannot be certain if the migration information important to the bureau is being collected by IOM.

At the same time, more and more organizations whose mandates include migration issues are competing for the same business as IOM, often with greater resources and support at their disposal. Non-governmental organizations, which are less costly, are initiating many of the types of projects IOM wants to carry out. For example, the European Union's humanitarian aid office recently announced its sponsorship of a program for Guatemalans returning home after years of civil war. Non-governmental organizations are working with the European Union to provide transport, food, basic shelter, basic farming start-up kits, medical supplies, and training to these displaced migrants.

A

In the meantime, IOM continues in its role of providing migrant movement assistance. In May 1996, IOM met with the leading migrant receiving countries of the world (United States, Australia, and Canada) to discuss its plan to expand from its traditional role of handling the movement of refugees into the field of providing services, for a fee, to potential migrants. At this meeting, IOM presented the following possible services for migrants it could provide:

- visa documentation processing;
- education/skills assessment;
- medical examinations;
- language and cultural orientation;
- transportation;
- transit and arrival assistance; and
- immigration information.

All three of the country representatives expressed reservations about whether providing certain "services" for a fee was an appropriate role for an international organization whose main source of income is donations from member countries. We agree and question why an expensive international organization versus a non-governmental organization needs to provide these services.

Recommendation 11: We recommend that PRM re-evaluate the role and priorities of an international organization, like IOM, dedicated to migration issues and clearly identify what needs such an organization can fulfill. Such re-evaluation should include an examination of whether other existing organizations can fulfill some or all of the needs the bureau identifies.

PRM agreed with the recommendation and stated it will fully comply.

A

V. CONSOLIDATED LIST OF RECOMMENDATIONS

Recommendation 1: We recommend that the Bureau of Population, Refugees, and Migration (PRM) designate an individual in the bureau to have overall oversight and monitoring responsibility over the U.S. Government's entire annual contribution to the International Organization for Migration (IOM).

Recommendation 2: We recommend that PRM and IOM use the percentage of refugee loan recipients of past years, versus the allocated ceiling amount, to predict movements more accurately for the upcoming year, thus avoiding excessive carryover amounts.

Recommendation 3: We recommend that PRM direct IOM to adhere to the provisions in the Memorandum of Understanding regarding the maintenance of U.S. funds in an identifiable account and the interest rate paid on those funds. As part of this effort, PRM should determine how much past interest is owed to the U.S. Treasury by IOM for fiscal years 1995 and 1996.

Recommendation 4: We recommend that PRM encourage IOM to increase its efforts to collect overdue membership assessments. As part of this effort, PRM should propose to the Subcommittee on Budget and Finance that IOM establish parameters when deciding which projects to fund, including terminating funding of deficit projects in member countries that have not paid membership dues.

Recommendation 5: We recommend that PRM encourage IOM to modify the Blue Book budget document so that costs, deficits and funding needs are separate and clearly distinguishable.

Recommendation 6: We recommend that PRM encourage IOM to implement cost cutting measures at headquarters that include calling for zero nominal growth in IOM's administrative budget, reducing the size of the headquarters staff, moving positions to the operational budget, and determining what services it can best provide.

Recommendation 7: We recommend that PRM encourage IOM to cut costs, wherever possible, by moving some international personnel from headquarters to the field and by replacing some international personnel at field posts with non-international status personnel.

Recommendation 8: We recommend that projectization information be more widely used by PRM and IOM as a management tool especially to identify and discontinue deficit projects.

Recommendation 9: We recommend that PRM scrutinize more closely the costs and percentages assigned to the U.S. Government projects by projectization, especially by requiring IOM to provide detailed budget justification for significant budget increases to U.S. Government projects.

A

Recommendation 10: We recommend that PRM encourage IOM to consistently practice projectization in both headquarters and the field missions.

Recommendation 11: We recommend that PRM re-evaluate the role and priorities of an international organization, like IOM, dedicated to migration issues and clearly identify what needs such an organization can fulfill. Such re-evaluation should include an examination of whether other existing organizations can fulfill some or all of the needs the bureau identifies.